

# IRS News Release

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## **New Issues Selected for IRS Industry Issue Resolution Program**

IR-2004-100, July 29, 2004

WASHINGTON — The Internal Revenue Service and the Treasury Department today announced that tax issues confronting the banking and heavy equipment distributor industries have been selected for the Industry Issue Resolution (IIR) Program, which reviews complex business tax issues to provide consistency and clarity for affected taxpayers.

The banking industry issue involves how lending institutions should determine interest income on “non-performing” loans. There are different book and tax accounting standards for when a loan becomes “non-performing” for purposes of determining interest accruals.

The heavy equipment distributor industry issue involves the valuation of parts inventory. Inventory valuation is a factor that determines the “cost-of-goods-sold.” IRS and the industry will seek to determine a valuation method that reduces burden and provides certainty and consistency for affected taxpayers.

“The IIR program provides clarity and consistency to complex tax issues, while reducing the burden for taxpayers,” said Large and Midsize Business Commissioner Deborah M. Nolan. “These are issues that can be resolved up front for all affected taxpayers so that they do not become contested issues downstream during tax audits on a case-by-case basis.”

Since its inception in 2000, the IIR program has resulted in resolution of many different tax issues cumulatively affecting thousands of taxpayers in many different lines of business, including restaurants, gas stations, day-care providers, health-care providers, cable television and car dealerships.

Business associations and taxpayers can submit at any time tax issues that they believe could be resolved through the IIR program. The IIR project selection criteria and submission procedures are in Revenue Procedure 2003-36 available at [www.irs.gov](http://www.irs.gov). Attached is detailed information regarding the issues the IRS considered during its latest review of IIR submissions.

**ISSUES SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - SELECTED AS A 2004 IIR PROJECT**

**Banking Industry**

**Issue Description:** Accrual of Interest on Nonperforming Loans

Guidance on addressing accrual of Interest on nonperforming loans.

**IRS Contact:**

Barry Shott  
Director Field Operations  
Financial Services  
Phone Number 212-298-2100 Email Address: Barry.B.Shott@irs.gov

**Submitted by:**

American Bankers Association  
KPMG

**Heavy Equipment Distributor Industry**

**Issue Description:** Valuation of Parts Inventory by Heavy Equipment Distributors

Revenue procedure regarding the valuation of parts inventory by heavy equipment distributors.

**IRS Contact:**

John Risacher  
Director Field Operations  
Heavy Manufacturing and Transportation  
Phone Number: 313-628-3661 Email Address: John F.Risacher@irs.gov

**Submitted by:**

BDO Seidman LLP

**ISSUES SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - NOT SELECTED AS A 2004 IIR PROJECT**

**Communications Industry**

**Issue Description:** Equipment Rental: Installers of Telecommunication Wiring

Guidance on employer reimbursements to employees for trucks and tools required to install cable, fiber and wiring.

**Submitted by :**  
Ajilon Communications

**Construction Industry**

**Issue Description:** §1.460-6(d) Look-back Simplified Marginal Impact Method

Guidance on the use of the simplified marginal impact method by S corporations or other closely held entities.

**Submitted by:**  
The Law Company, Inc.

**Motor Vehicle Industry**

**Issue Description:** Equipment Rental (Automobile Service Technicians)

Clarification is requested for the proper tax treatment of expenditures incurred for, and related to, tools and equipment provided by automobile dealership service technicians in connection with their employment when their employer (the automobile dealership) adopts a Section 62(c) accountable plan.

Submitted by:  
Crowe Chizek and Co.  
ToolChek

**Issue Description:** Automotive Dealer Reinsurance Transaction

Guidance and clarification of the factors determining the propriety of automotive aftermarket reinsurance transactions.

Submitted by:  
Crowe Chizek and Co.

**Issue Description:** Revision of Revenue Procedure 2002-9 Appendix

Revise Rev Proc 2002-9 to allow taxpayer to change from the LIFO inventory method for used vehicles to either specific identification, cost or specific identification, or lower of cost or market method.

Submitted by:  
Crowe Chizek and Co.

**ISSUES SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - NOT SELECTED AS A 2004 IIR PROJECT**

**Issue Description:** Alternative LIFO Method for Used Vehicles as described in Revenue Procedures 2001-23

Revise rev proc 2001-23 to allow used vehicles sellers to change to used vehicle guides used to calculate LIFO every five years using the automatic change provisions of rev proc 2002-9 on a cut off basis.

**Submitted by:**  
Crowe Chizek and Co.

**Cross Industry**

**Issue Description:** Form W-4 Issues  
Guidance on collecting, processing and submitting W-4, Employees Withholding Allowance Certificate.

**Submitted by:**  
American Payroll Association

**Issue Description:** Amendment of Forms 941 & 945 for the Period in which Error Occurred  
  
Guidance is needed to allow quarterly "stand-alone" amended returns (Forms 941 and 945) as an alternative available to all employers and their payroll service providers.

**Submitted by:**  
National Payroll Reporting Consortium